

- Following shows asset, liabilities, equity, income and expenses generated by business transactions.
 - A. Motor vehicles
 - B. Electricity expenses
 - C. Furniture
 - D. Capital
 - E. Trading stocks
 - F. Bank loan (short term)
 - G. Cash balance
 - H. Rent payables
 - I. Creditors
 - J. Debtors

From the above information answer the following questions.

6) Letters which represent current liabilities.

- 1) ADF 2) DFG 3) FHI 4) DEF

7) Letters F,H shows,

- 1) An expense and a liability
- 2) Non current asset
- 3) An expense and income
- 4) A current liability



8) Non current assets are denoted by,

- 1) AB 2) AD 3) BI 4) AC

9) Current assets are denoted by,

- 1) EGI 2) EGJ 3) JGC

10) Select the correct statement out of the following.

- 1) Accounting helps to make financial activities of the business more systematic.
- 2) Presentation of financial statements is not a mandatory requirement by law for any business.
- 3) Every transaction occurred in the business are taken into consideration in accounting.
- 4) Financial records in a business are confidential and it is only used by the internal parties of the business in decision making.

Part II

1)

I. a) Define accounting.

b) What are the objectives of accounting?

II. a) What is meant by financial statement?

b) Financial statements of the business are prepared based on what details?

III. Given below are some transactions occurred in Piyal's business. Out of these, which transactions are considered in accounting.

1) Rs. 20 000 worth of stock was destroyed due to moisture.

2) Rs. 50 000 worth of receivables was written off as bad debts.

3) An application was submitted to obtain Rs. 500 000 worth of bank loan.

4) Purchased stock for Rs. 20 000 on credit from Ravi.

5) Recruitment of two employees to the business under agreement of paying a monthly salary of Rs. 30 000.

IV. What are the common transactions of Assets and Liabilities of an entity?

2)

I. Define the classification of assets by providing two examples.

II. Define the classification of liabilities by providing two examples.

III. Mayantha Disanayake is carrying out a business of selling stationary. Classify the following

items under the given categories.

Items	Assets		Liabilities	
	Non current	Current	Non current	Current
1). Exercise books				
2) Accounts regarding computers				
3). Half sheets and pastels				
4). Loans payables on machines purchased on credit				
5). Building				
6). Loans(long term)				
7). Loans payable to suppliers				
8). Cash counting machines				

3) Categorize following items under the columns of assets ,equity ,liabilities ,income and expenses.

Electricity expenses ,Bank loan ,Interest income ,Capital ,Insurance expense ,Investments ,Debtors,
Cash ,Furniture ,Creditors ,Drawings ,Motor vehicle repair expense ,Rent received ,Salary payables.

Assets	Liabilities	Equity	Income	Expense



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